

USAID/Madagascar

Annual Report

FY 2004

June 14, 2004

Please Note:

The attached RESULTS INFORMATION is from the FY 2004 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:
USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910
Telephone: (301) 562-0641
Fax: (301) 588-7787
Email: docorder@dec.cdie.org
Internet: <http://www.dec.org>

Portions released on or after July 1, 2004

Madagascar

Performance:

Background: Madagascar's new government, led by President Marc Ravalomanana, is demonstrating the will and commitment to tackle the country's immense development challenges, notably widespread poverty and corruption. Madagascar has an average per capita income of only \$260; 70% of its population lives below the poverty line; 48% of children under five years of age malnourished; infant, child and maternal mortality rates are unacceptably high and life expectancy is only 58 years; HIV prevalence is 1.1%; the annual population growth rate is high at 2.8%; and, 46% of the population illiterate. Moreover, the country is emerging from a deep political crisis in 2002, which resulted in a 12% decline in GDP and increased poverty. The country is now stable and economic recovery is underway, with GDP growth in 2003 estimated by the GOM and the World Bank at in excess of 9%. Madagascar is expected to reach the Completion Point under the Highly Indebted Poor Countries Initiative in mid 2004, resulting in extensive cancellation of sovereign debt.

GOM priorities, as articulated in the country's Poverty Reduction Strategy Paper, and demonstrated through recent actions are: 1) good governance; 2) economic growth; 3) social welfare.

- To promote good governance: the GOM has established an Anti-Corruption Commission in the Presidency, which USAID is supporting through the Anti-Corruption Initiative; requires public disclosure of assets by public officials; is introducing reforms in public financial management, including customs procedures; is instituting a program to reduce corruption in the trade of precious and semi-precious stones, with support from the World Bank and the USG; and, has canceled illegal forestry permits and banned exports of endangered species.

- To stimulate economic growth, the GOM: has strengthened its partnership with the private sector; with donor support is investing over \$1 billion in transportation infrastructure, especially roads, between 2002 and 2005; has declared a two-year tax holiday on imports of investment and some consumer goods; and is opening up land sales to foreign investors. Recognizing the importance of its unique environment to the long-term health of the Malagasy economy and the welfare of its people, and building upon support of USAID and other donors, the GOM plans to increase land in environmentally important protected areas, from 1.7 million to 6 million hectares over the next five years.

- In the social sectors, the GOM is committed to: preventing the spread of HIV/AIDS; fighting malaria; strengthening health care at the community level using models developed through past USAID programs; and increasing access to and quality of education through its "Education for All" program.

While the new government has considerable public support and momentum for its ambitious programs, it faces a number of risks: that a weak and poorly equipped bureaucracy will be unable to realize many of the planned reforms and results; that the public will grow impatient with the new government under the weigh of grinding poverty; that vested interests will retard the reform agenda; that foreign investment will fail to materialize at the rate necessary to met economic growth objectives; or, that natural disasters -- the country is vulnerable to cyclones -- will undermine the pace of progress. U.S. assistance contributes to mitigating these risks.

U.S. Interests and Goals: The United States and Madagascar enjoy close relations, and Madagascar is an ally in the global fight against terrorism. The top three U.S. foreign policy objectives with respect to Madagascar, as articulated in the Mission Performance Plan are: promotion of democracy; broad-based economic development, including health; and environmental protection. U.S. development assistance is motivated by Madagascar's unique biodiversity, its growing importance as a commercial partner, and its

deep poverty, which is exacerbated by natural disasters, food insecurity and weak social services. Complementary interests include the nascent HIV/AIDS epidemic and the country's democratic transition. USAID works closely with the Department of State in Madagascar across all programs. The U.S. Peace Corps (health and environment/rural development), U.S. Geological Survey (environment, rural development), U.S. Forest Service (environment and rural development), U.S. Department of Defense (HIV/AIDS) U.S. Army Corps of Engineers (bridge rehabilitation), and Center for Disease Control (polio, HIV/AIDS, cholera and diarrheal diseases), are all working with USAID in the achievement of U.S. development objectives.

Challenges: Madagascar's acute poverty and endemic corruption pose formidable challenges to the efforts of the new government and donors to transform the country. Human and financial resources, and the institutional capacity to implement programs, especially in the public and NGO sectors, are weak. This constrains the leadership's ability to translate plans into action. Manifestations of this problem include the limited capacity of the majority of the population to influence the decisions that affect them, limited access to and quality of social services, and the poor governance of natural resources. These challenges are compounded in the aftermath of the 2002 political crisis by uncertainty over the likely impacts of policy and leadership changes. Uncertainty and persistent administrative barriers are among the principle factors holding back new private sector investment. USAID's new programs will help to strengthen NGOs and selected government institutions, promote public-private dialogue, support efforts to combat corruption, strengthen access to and quality of health services and products, improve management of natural resources, promote private investment, and help increase rural incomes.

Key Achievements: USAID's long-term investments in Madagascar continued to bear fruit, even as Mission programs entered a transition phase from one strategic plan cycle to another. Overall, USAID Madagascar's Democracy and Growth Special Objective, and its Environment and Health Strategic Objectives demonstrated considerable achievement in FY 2003, generally meeting or exceeding expectations.

1. **Democracy and Economic Growth:** The Democracy and Economic Growth SO largely met its targets this year, despite challenging circumstances. Although the economic and political crisis ended in June 2002, its effects were felt well into the fiscal year 2003 reporting period. Ministry reshuffles, changing regulations, jailed political prisoners, and December 2002 legislative elections all contributed to creating an aura of uncertainty and flux around the new government as it moved to consolidate its position. This uncertainty continues to affect development programs, government initiatives, and the business investment climate. Despite this, significant results were achieved. Under the "Madagascar Media and Message" civic education activity, more than 12,000 students, 130 teachers, and 20 trainers from 50 junior high schools benefited from a pilot project. The pilot project used interactive and student-centered teaching to address key public issues at the communal level. It culminated in the organization of three mass civic events focusing on student presentations to key regional government officials on such issues as election fraud, potable water, and sanitation. Through USAID programs to stimulate public participation in government decision-making, issues concerning the management of a lake and inter-communal forest governance were addressed through public dialogue in the province of Fianarantsoa, and a public land use issue was discussed in a public forum in the province of Mahajunga. Coalitions were built to observe municipal and legislative elections, and voter education was reinforced. Civil society organizations and government officials have since established permanent associations in these areas to continue with the information sharing and public dialogue platforms. Five new "Networking Academies" were established as part of continuing Internet-related development in Madagascar that is largely attributable to financial and technical support from the USAID's Leland Initiative through a partnership with Cisco Systems. Madagascar's rank and score on Transparency International's "Corruption Perception Index" improved. Nevertheless, a concerted effort will be required on the part of the GOM to achieve prompt and tangible results under its anti-corruption campaign.

Three significant laws to improve the business environment that were drafted with USAID support were passed by the Parliament in December 2003; they are the Companies, Bankruptcy, and Secured Transactions laws. USAID's trade capacity building activities have increased public and private sector understanding of the World Trade Organization agreements and the African Growth and Opportunities Act, helped to develop GOM negotiating capacity, provided direct assistance to over 40 firms on exporting

to the U.S., and provided the catalyst for trade missions to and from the U.S. USAID trade capacity building support is coordinated with that of the World Bank, UNDP and other donors in the context of the Integrated Framework for Trade, under which Madagascar is a pilot country. Many investors remain uncertain about the business climate, however, and further efforts will be needed to reduce administrative barriers in order to promote private sector activity.

2. Health, Population and Nutrition: A major achievement in FY 2003 was the adoption by the GOM and World Bank of USAID's community-based health service approach for nationwide use in their own programs. Progress on reinstating health cost recovery measures was less satisfactory. Although the GOM instituted a new cost-recovery system following the suspension of the old system in response to the economic hardships caused by the 2002 political crisis, the new system is limited in scope, and constitutes a weak link in efforts to strengthen the health system in Madagascar. USAID will continue to advocate for full implementation and reinforcement of the cost recovery system for basic health services and contraceptives.

Overall, USAID health, population and nutrition programs performed well. Evidence suggests that most targets, under the previous strategic objective "Smaller, Healthier Families, 687-002," were achieved in FY 2003, though national level data are incomplete. The polio campaign saw complete national coverage of children under 5 years; the percentage of children completely immunized rose from 19% in 1999 to 73.7% in 2003; 110,680 Insecticide-Treated Bed Nets were sold; sales of contraceptives rose 15% (oral) and 11% (injectables); and condom sales rose 54% to 10,699,191. Under PL 480, Title II: the Contraceptive Prevalence Rate (CPR) at one site was 24.37%, exceeding the target of 20%; and rice production in another site rose from 1.16 tons/hectare in 2000 to 1.55 tons/hectare. National data for two key program indicators, CPR and immunization rates will not be available until completion of Madagascar's third Demographic and Health Survey in FY 2004. USAID continues to support disaster prevention and mitigation activities in three disaster-prone regions. Title II emergency relief rations were provided to 55,000 beneficiaries, while food from Title II Operational Reserves was provided to an additional 33,000 people.

3. Environment: The Strategic Objective, "Biologically-Diverse Ecosystems Conserved in Priority Conservation Zones," led to the development of tools and approaches for sustainable management of the environment. A national park system -- which represents 83% of recognized critical habitat types, compared to USAID's target of 100% -- now protects 1,774,575 hectares of natural habitats. This will be increased to 6,000,000 hectares over the next five years. Twenty-nine thousand hectares of natural forest were transferred to 25 community management associations in 2003, and there is an overwhelming demand for more transfer contracts. USAID helped establish farmer associations in 882 villages where about 23,000 farmers have agreed to stop destructive slash and burn farming around critical biodiversity habitats. Tany Meva, a Malagasy environmental foundation established with USAID support, provided \$162,000 in small grants to 310 local groups for environmental activities. Biodiversity interventions attracted more than \$1.25 million in private investments by environmentally friendly enterprises involved in ecotourism and agro-processing. Finally, 14 projects benefited from formal Environmental Impact Assessments, indicating increased public sector capacity to review proposals and greater private sector commitment to the environment.

Deforestation rates in USAID intervention zones (0.33% and 1.12%) are currently about a third of what they are outside these zones (3.18%). Deforestation rates over the last two years in one USAID intervention zone decreased by 22% while rates in the nearby non-USAID control area increased by 35%. Yet, overall, the rates of forest loss are significantly higher than expected. In addition, although there has been significant progress in promoting collaboration between the mining and forest sectors to allow for a more transparent allocation of forestry and mining permits in environmentally sensitive forest zones, mining exploration inside these forests continues. These are important and immediate challenges for USAID that will be addressed through future activities.

Donor Relations: The new government's commitment, and the trust that it has engendered, is leading the World Bank, European Union (EU), and African Development Bank to experiment with budget support for sector programs. There is also a trend towards more active government participation in donor

coordination and information exchange. Madagascar's major donors are the World Bank, EU, United Nations System, France, the United States and Japan. The World Bank has identified governance and institutional development as its central theme. The World Bank, International Monetary Fund, and EU provide budget support linked to improved public financial transparency and accountability. The World Bank, EU and France support reform and strengthening of the judicial system. The World Bank also leads efforts to clean up trade in gems. The United Nations Development Program (UNDP), EU, Japan, Germany, and Switzerland collaborate in electoral observation and support. The World Bank, United Nations specialized agencies, and France are active partners in the health sector, particularly in maternal and child health. The World Bank is becoming the lead donor in fighting HIV/AIDS, while UNFPA is a major partner in family planning, and Japan collaborates with USAID in certain areas, including behavioral change activities. Madagascar receives funding from the Global Fund for AIDS, Tuberculosis and Malaria, and the Global Alliance for Vaccinations and Immunizations. The World Bank, EU, UNDP, France, Germany and Switzerland are, with the United States, active members of a multi-donor group on environment, rural development and food security. The World Bank leads in the education sector. The World Bank and EU lead in transportation infrastructure development, and the World Bank aids privatization efforts. The World Bank and France support the financial system, especially mutual credit institutions. Agricultural development is a priority of the World Bank, EU, France, and International Fund for Agricultural Development. France is an active supporter of urban development projects. Finally, UNDP is a major partner in disaster preparedness, and the World Food Program is the major partner in promoting food security.

Gender: Gender considerations are fully integrated into the new country strategy, and explicit weight is being given to gender considerations in the development of new contracts and awards. Women accounted for 40% of the 1,173 direct beneficiaries of 25 training and related programs under the Democracy and Economic Growth program. More than 6,000 female, junior high school students (50% of participants) benefited from the civic education pilot program in the province of Fianarantsoa. Poverty research continued to provide gender-disaggregated data for use in national program planning. Madagascar has also been selected as a pilot country for USAID's Women's Legal Rights Initiative.

Country Close and Graduation:

NA

Results Framework

687-001 Improved environment for private initiative

SO Level Indicator(s):

Issues addressed through an open, informed and participatory process
Number of clients of Savings Bank of Madagascar
Number of new firms created each year

- 1.1** Improved legal, policy, and financial conditions for trade and investment
- 1.2** More informed public participation in economic and legal issues

687-002 Smaller, healthier families

SO Level Indicator(s):

Condom sales through social marketing
Percentage of children 12-23 months receiving three DPT doses before 1 year of age
Percentage of women age 15-49 currently using modern methods

- 2.1** Family level: Increased use of services and healthy behaviors
- 2.2** Community level: Increased community participation leading to improved health and food security
- 2.3** Health center level: Increased access to quality health services
- 2.4** Institutional level: Increased capacity to plan and manage programs
- 2.5** Policy level: Improved Policies, Program Advocacy, and Decision-Making

687-003 Biologically diverse ecosystems conserved in priority conservation zones

SO Level Indicator(s):

Number of investment projects passed through environmental review
Number of villages in priority zones participating in community-based conservation
Percent of natural ecosystems represented in National Park system

- 3.1** Improved Management of Critical Biodiversity Habitats
- 3.2** Sustainable use of natural resources in broader landscapes
- 3.3** Sustainable financing mechanisms mobilized
- 3.4** Development and application of environmental policies, legislation and procedures
- 3.5** Productive Infrastructure and Systems Rehabilitated

687-004 Governance in Targeted Areas Improved

SO Level Indicator(s):

Number of partnerships created between government and civil society
Percentage of citizens showing confidence in their government
Transparency International Corruption Perceptions Index

- 4.1** Deeper and Stronger Civil Society
- 4.2** Information Flow Increased
- 4.3** Government Responsiveness Increased

687-005 Use of Selected Health Services and Products Increased and Practices Improved

SO Level Indicator(s):

Condom use
Contraceptive prevalence rates
Percentage of children 12 - 23 months receiving three DPT doses before 1 year of age

- 5.1** Demand for Selected Health Services and Products Increased
- 5.2** Availability of Selected Health Services and Products Increased
- 5.3** Quality of Selected Health Services Improved
- 5.4** Institutional Capacity to Implement and Evaluate Health Programs Improved

687-006 Biologically Diverse Forest Ecosystems Conserved

SO Level Indicator(s):

Change in natural forest cover

- 6.1 Forest Management System Improved
- 6.2 Biological Integrity of Critical Biodiversity Habitats Maintained
- 6.3 Alternatives Adopted to Reduce Slash and Burn Agriculture
- 6.4 Investment Initiatives and Partnerships in Natural Resource Management Increased
- 6.5 Environmental Governance Improved

687-007 Critical Private Markets Expanded and Strengthened

SO Level Indicator(s):

- Gross domestic product from selected products
- Value of selected goods and services exports
- 7.1 Agricultural Production and Practices Improved
- 7.2 Value-added through Agribusiness Increased
- 7.3 Trade Flows in Selected Commodities Increased
- 7.4 Selected Policies, Regulations, and Procedures Changed